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SOUTH VIETNAM: The relatively low level of Communist military action prior to Tet suggests that final enemy preparations for offensive activity have not yet been completed.

This is consistent with reports of phased activity in which the pre-Tet period is primarily devoted to preparing the battlefield. The small increase in enemy operations that did occur took place mainly in the northern half of the country and was confined primarily to shelling of South Vietnamese field positions and artillery bases, and commando ambushes of military convoys. With few exceptions, large enemy units were not involved, and the attacks caused only light casualties and damage.

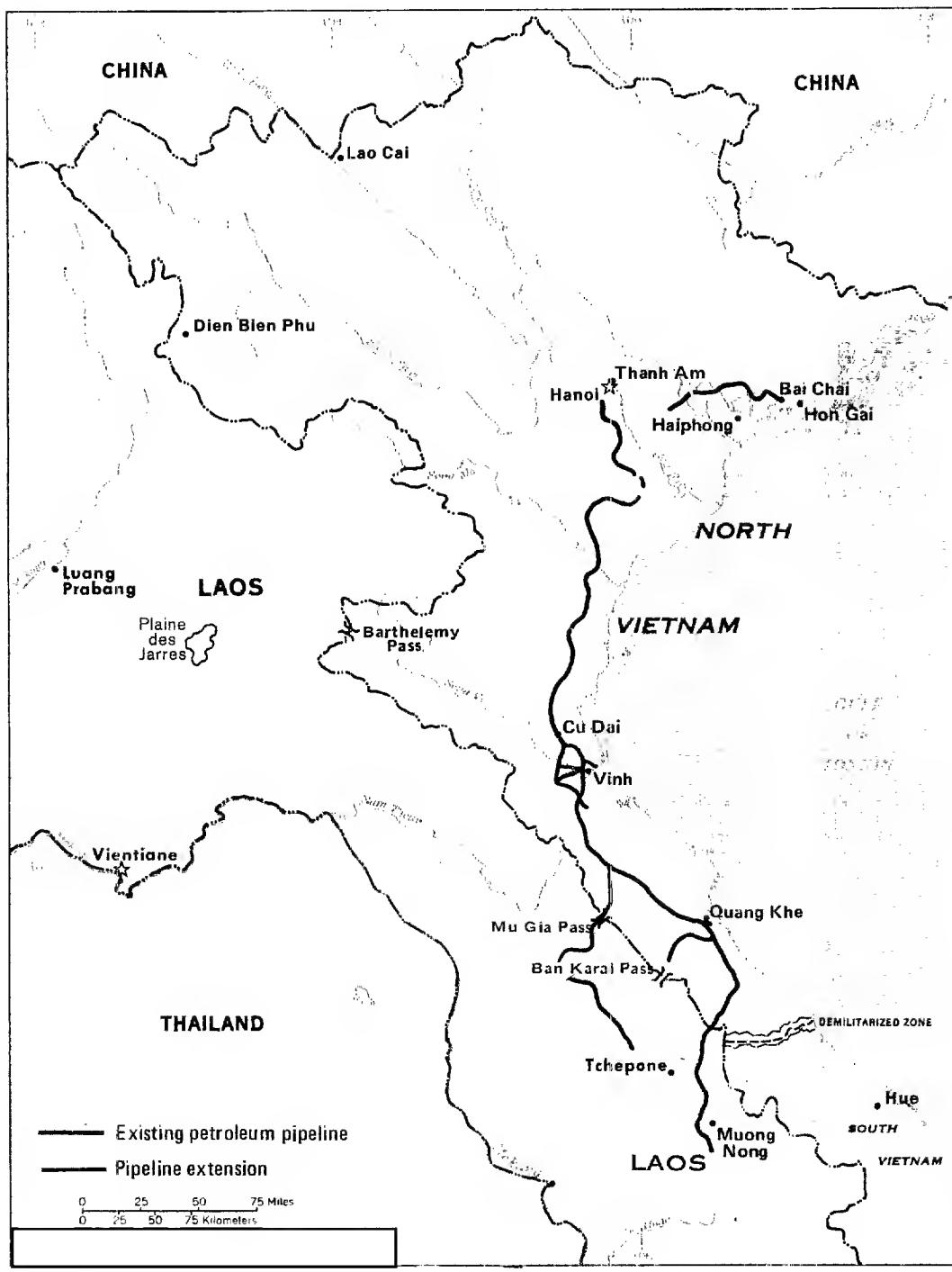
In addition to heavy allied air and artillery interdiction, allied ground troops have been actively trying to disrupt enemy battlefield preparations throughout most of the country.

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NORTH VIETNAM: A petroleum pipeline rapidly nearing completion from Hanoi to the Vinh area will significantly improve petroleum flows to North Vietnamese troops in the Laotian panhandle.

Photography of late January shows that the pipeline is within four miles of the capital and only three miles from a major storage area 20 miles northwest of Vinh. Another higher capacity pipeline being extended from Bai Chai port near Hon Gai will terminate in the Hanoi area and probably will be connected to the north-south line at a common storage area. Trenching for this dual pipe system was recently extended by seven miles and now is some 30 miles east of Hanoi. New construction also has been noted in the Laotian panhandle. Photography of 23 January indicates the pipeline there now extends nearly six miles beyond Muong Nong.

When remaining gaps in the pipelines are connected, possibly by May, the North Vietnamese will have a more secure and reliable petroleum distribution system for moving petroleum into the Laotian panhandle from ocean tankers docked near Bai Chai. At present, petroleum imported for the war effort must be transshipped by rail or small coastal tanker from Haiphong to storage facilities at Vinh or Quang Khe for insertion into the Laotian pipelines.

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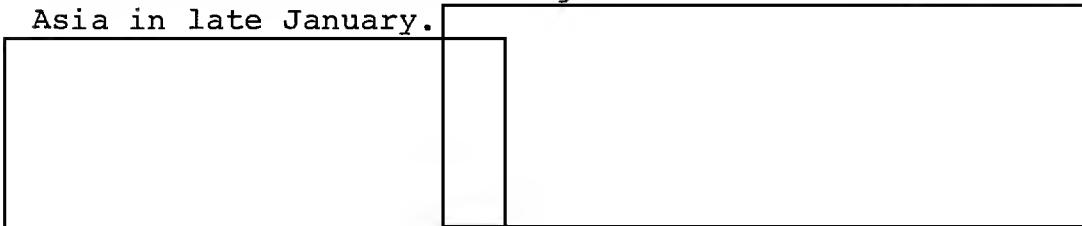
USSR-CHINA: Moscow apparently will postpone a decision on resumption of the Sino-Soviet border talks until it assesses President Nixon's visit to Peking.

The border talks, under way in Peking for more than two years, were interrupted in mid-November when Leonid Ilichev, the chief Soviet negotiator, returned to Moscow for consultations during a Central Committee plenum. According to Chinese officials in Moscow, the Soviets subsequently have been saying that Ilichev's return to Peking has been delayed by "illness."

It is clear, however, that Moscow deliberately has recessed the talks, hoping in part to bring pressure on Peking to be more forthcoming in the territorial discussions. A public lecturer in Moscow made the first open reference to the recessed talks on 10 February, saying that the November party meeting acted as it did largely because of Peking's intransigence.

Soviet officials have avoided any suggestion that Moscow intends to break off the talks completely. Although Moscow entertains little hope of reaching a border settlement, the discussions serve as a useful channel of communications with Peking on the sensitive frontier issue and demonstrate to domestic and foreign audiences that the USSR is trying to ease Sino-Soviet friction.

In recent weeks there have been some unconfirmed reports of incidents along the border. Unidentified Soviet sources in Moscow have told Japanese reporters, for example, that 2,700 Uighur tribesmen fled from Sinkiang into Soviet central Asia in late January.



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JAPAN-MONGOLIA: Tokyo has decided to initiate negotiations to establish diplomatic relations with Mongolia.

The Japanese ambassador in the Soviet Union has been instructed to propose to his Mongolian counterpart that talks be opened in Moscow in the "not too distant future." Tokyo anticipates a favorable response from Ulan Bator. Both Tokyo and Ulan Bator have long been interested in improving relations, but in the past Japan has been reluctant to move much ahead of the US on this matter and has been sensitive to Chinese Nationalist claims to Mongolia.

Taking the initiative at this time reflects Tokyo's belief that Peking will not object and that Taipei is no longer in a position to launch strong protests. Japanese leaders are now convinced that they must assume a more innovative, independent foreign policy course. The decision to move on Mongolia was made rather quickly at the highest levels of the Japanese Government and it suggests that encouragement was given by Soviet Foreign Minister Gromyko during his recent visit to Japan.

Tokyo sees no major obstacle to the successful conclusion of the negotiations, particularly in view of repeated indications by the Mongolians that they will not insist on World War II reparations payments. The Japanese expect the issue to be raised but believe that offers of economic aid will satisfy Ulan Bator.

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VENEZUELA: Apprehension over President Caldera's squeeze on the oil companies is beginning to surface.

The public is beginning to perceive that the current dispute is more serious than past company-government conflicts. The government had at first concealed the extent of the companies' cutback in oil production, but recently Caldera and others have been describing it as an assault on national sovereignty. Despite company claims that the cutback results from market conditions, the government insists that it is deliberate retaliation for the recent imposition of export quotas.

Early this month Caldera called for a "grand front of the whole nation" to defend the country's resources and condemned the oil companies in temperate terms. Support for Caldera's nationalist program has been broad, but responsible political groups are becoming increasingly worried over possible damage to Venezuela's economic prospects.

The growing concern that Caldera has gone too far with his oil policy may make it politically possible for him to veer off from the collision course he has set with the oil companies. Recent statements by government officials reflect a more defensive stance. The minister of mines has denied that a showdown with the US is building and has made an effort to emphasize the two countries' common interest in oil.

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WEST GERMANY: The first sign of a breach has appeared in the Christian Democrat/Christian Social opposition to the ratification of the Eastern treaties.

Adolf Mueller, a CDU parliamentary deputy and official in the German Trade Union Federation supported a union resolution on 3 February in favor of the government's Ostpolitik and Bundestag approval of the controversial Soviet and Polish compacts. The CDU/CSU opposes ratification on the grounds that both treaties suffer from "grave political and legal" deficiencies.

Asked to square his views with those of his party, Mueller told reporters that he will approach the treaties with an open mind, and will be guided in voting by his determination of whether they promote peace and detente. He then said that he does not deny the government's good intentions, causing the weekly Der Spiegel to conclude that Mueller will side with the government in the crucial vote in May. Mueller himself said, however, that his vote in the Bundestag "is not prejudiced" by his vote on the union resolution.

The government's six-vote edge in the decisive lower house had been expected to be pared to four with the avowed determination of one Social Democrat deputy to vote against ratification. CDU Chairman Barzel claimed in late January that no one had spoken up when he had polled the CDU delegation on three occasions on the leadership's decision to oppose ratification. Mueller, on the other hand, now believes that other CDU left-wingers share his view of the treaties, and may jump party lines on the vote.

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GUATEMALA: The Arana government continues to try to split its major political opposition.

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Government strategy seems directed more at the 1974 presidential elections than at the municipal elections next month. The government reportedly fears that the Revolutionary Party would join with the Christian Democrats and other leftist groups to field a single presidential candidate. It believes, however, that Sagastume, a moderate, would not join such a leftist coalition and that the opposition would remain divided.

Regardless of the outcome of the Revolutionary Party convention on 20 February, the government will probably benefit. Sagastume is bitterly opposed by other party leaders and his election could weaken and possibly split his party. If he loses, the resulting rancor and ill will could impede the party's efforts in the municipal elections.

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PAKISTAN: Islamabad has partially lifted its moratorium on official debts. It has resumed interest payments to Japan and Italy, including interest on loans earmarked for East Pakistan. There is also an unconfirmed report that Japan received a small repayment on back interest. The moratorium, in effect since May 1971, has saved Pakistan about \$100 million in foreign exchange, with Japan and Italy accounting for about 25 percent of the deferred obligations. It is not known whether Islamabad plans to make adjustments with other countries. Debt repayments to international institutions and private creditors have not been deferred.

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ZAIRE: A showdown between President Mobutu Sese Seko and Cardinal Malula, the Archbishop of Kinshasa, has been avoided. Malula departed for Rome on 11 February after apparently receiving assurances from the Pope that he would be able to return at an "appropriate time." The Cardinal's departure shortly before Mobutu returned from Switzerland should help tone down at least temporarily a growing church-state controversy stemming from Malula's criticism of Mobutu's name-changing campaign. Nevertheless, in a strongly worded speech Sunday, Mobutu emphasized that the church can expect further government pressure if it continues to support Malula. Although Mobutu disavowed any intention to move against the church, the threat to church autonomy remains critical.

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YUGOSLAVIA: Improvement in Belgrade's balance of payments in the last six months of the year slightly reduced the current account deficit--\$318 million--for 1971 compared with 1970. Increased worker remittances and earnings from tourism were largely responsible for a 40-percent rise in invisible earnings, which helped to offset the 20-percent increase in the foreign trade deficit. In December and January, however, there was an improvement in the balance of trade. A continuation of these favorable trends should brighten prospects for achieving greater economic stability in 1972.

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GRENADE: Prime Minister Eric Gairy and his Grenada United Labor Party are likely to win the island's general elections on 28 February, partly because the opposition has not been able to mount a campaign, and the election is not likely to be fair. Independence is likely to be the major election issue. If Gairy wins by a large majority, as expected, he may ask the British to allow the election to serve as a referendum on independence as required under the West Indies Act of 1967. The British have already indicated that they plan to continue development assistance to Grenada when it strikes out on its own.

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